

Licence No. EMA/GTA/001

# Gas Licence for Gas Transport Agent Licensee

granted under  
the Gas Act (Cap. 116A) to

SP PowerGrid Limited

# **GAS LICENCE FOR GAS TRANSPORT AGENT LICENSEE**

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# **GAS LICENCE FOR GAS TRANSPORT AGENT LICENSEE**

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## **PART I: SCOPE OF THE LICENCE**

1. The Energy Market Authority of Singapore (the “Authority”), in exercise of the powers conferred under Section 7(3) of the Gas Act (Cap. 116A) (the “Act”), hereby grants to SP PowerGrid Limited, (the “Licensee”), a company incorporated in the Republic of Singapore with registration number 200306959Z, a gas licence (the “Licence”) authorising the Licensee to convey gas for or on behalf of PowerGas Limited, subject to the conditions of this Licence (the “Conditions”).
2. The Conditions are subject to modification in accordance with Sections 14, 15 and 16 of the Act.
3. Subject to paragraphs 4 and 5 below, this Licence shall be for a term that shall commence on the date set out below and terminate upon the expiry or earlier termination of the gas transporter’s licence granted to PowerGas Limited.
4. The Authority may at any time during the term of this Licence revoke or suspend this Licence in accordance with Section 18 of the Act.
5. Any request for the termination of this Licence by the Licensee is subject to the approval of the Authority. The Licensee shall continue to be bound by the terms of this Licence until such time as the Authority notifies the Licensee in writing of such approval.

20th June 2008

KHOO CHIN HEAN

Chief Executive

Energy Market Authority of Singapore

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## **PART II: CONDITIONS OF THE LICENCE**

### **Condition 1: Interpretation and Definitions**

1. Unless the context otherwise requires, words and expressions used in this Licence shall be construed as if they were in an Act of Parliament and the Interpretation Act (Cap. 1) applied to them and references to an enactment shall include any statutory modification or re-enactment thereof or any legislation substituted therefor after the date when this Licence comes into operation. A reference in this Licence to a body, whether statutory or not, which ceases to exist or whose functions are transferred to another body includes a reference to the body which replaces it or which substantially succeeds to its functions, powers or duties. A reference in this Licence to the word “including” or a grammatical variation thereof means “including but not limited to”.
2. Unless the context otherwise requires or the term is otherwise defined in paragraph 3 of this Condition, all terms defined in the Act shall have the same meaning when used in this Licence.
3. In this Licence, unless the context otherwise requires:

<b>“Act”</b>	means the Gas Act (Cap. 116A);
<b>“allowed activity”</b>	means an activity other than the authorised business in which the Licensee may engage subject to paragraphs 2 and 3 of Condition 3;
<b>“authorised business”</b>	means in respect of the Licensee, the provision of gas conveyance services and the planning, development, construction, operation and maintenance of the gas pipeline network owned by or under the management or control of PowerGas Limited or any refurbishment or augmentation thereof as may be required to enable the provision of gas conveyance services, for or on behalf of PowerGas Limited;
<b>“Companies Act”</b>	means the Companies Act (Cap. 50);
<b>“Gas Supply Code”</b>	means the code of practice that sets out the obligations of gas licensees to comply with the standards and procedures for the safe operation of the gas supply system;
<b>“Management Services Agreement”</b>	means the Management Services Agreement dated 17 June 2008 between PowerGas Limited and the Licensee setting out the working and operational

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arrangements between the Licensee and PowerGas Ltd;

**“PowerGas Limited”**

means PowerGas Limited, a company incorporated in the Republic of Singapore with registration number 199504471E, and which is the holder of gas transporter’s licence number EMA/GT/001;

**“related enterprise”**

in relation to the Licensee or its subsidiary, means any company or partnership over which the Licensee or its subsidiary, as the case may be (either directly or through another subsidiary company) is able to exercise control, that is, to direct the decision-making process of the company or partnership, whether through holding issued share capital or voting power of such company or partnership;

**“relevant legislation”**

means the Act and the Energy Market Authority of Singapore Act (Cap. 92B), and includes in each case the regulations made thereunder;

**“subsidiary”**

shall be construed in accordance with Section 5 of the Companies Act.

4. For the purposes of the restriction on the transfer of this Licence, the provisions of Section 10 of the Act shall apply and accordingly:
  - (a) this Licence is not transferable without the approval in writing of the Authority; and
  - (b) any purported transfer of this Licence without the approval in writing of the Authority shall be void.
5. Any reference in this Licence to a numbered paragraph is a reference to the paragraph bearing that number in the condition in which the reference occurs.
6. A reference to:
  - (a) “Condition” and “Conditions” refer to a condition and conditions of this Licence, respectively; and
  - (b) “Schedule” and “Schedules” refer to a schedule and schedules to this Licence respectively.
7. Headings are for convenience only and shall not affect the interpretation of the Conditions of this Licence.

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8. Where in this Licence the Licensee is required to comply with any obligation within a specified time limit, that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit.
9. The provisions of Section 95 of the Act shall apply for the purposes of the service of any document by the Authority on the Licensee pursuant to this Licence.

### **Condition 2: Dealing(s) with PowerGas Limited**

1. The Licensee shall ensure that the Management Services Agreement and any modifications thereto shall not affect the ability of the Licensee to discharge its responsibilities under this licence. The Licensee shall give the Authority no less than thirty (30) days' prior written notice of any modification to the terms and conditions of the Management Services Agreement and shall not terminate the Management Services Agreement without the Authority's prior written consent.
2. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition for such period, as the Authority may determine.

### **Condition 3: Authorised Activities**

1. The Licensee shall conduct the authorised business.
2. The Licensee may, upon approval in writing of the Authority and subject to such conditions as may be imposed by the Authority at the time of approval or at any time thereafter, engage in allowed activities that:
  - (a) use an existing competency of the Licensee; and
  - (b) provide synergies with the activities comprised in the authorised business.
3. In making an application to the Authority for approval to engage in such an activity pursuant to paragraph 2 of this Condition, Licensee shall provide an assessment of the extent to which engagement in such activity complies with the criteria mentioned in paragraph 2 of this Condition. The Licensee shall inform the Authority of any change in the nature of an allowed activity if such change could reasonably be expected to cause such allowed activity to fail to comply with the criteria mentioned in paragraph 2 of this Condition, and shall provide such information no later than two (2) weeks after any such change being anticipated or taking place.
4. Other than the authorised business and allowed activities, the Licensee:

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- (a) shall not engage directly or indirectly in any other business activities or voluntarily commit to any liability in relation to such other business activities; and
  - (b) shall procure that each of its subsidiaries and related enterprises do not engage, or seek to obtain from the Authority a gas licence permitting it to engage, directly or indirectly in any other business activities or voluntarily commit to any liability in relation to such business activities.
5. This Condition shall not prevent the Licensee from:
- (a) engaging in any business, undertaking or activity incidental to the performance of its authorised business or any of the businesses, undertakings or activities that were already performed by the Licensee on the date that this Licence comes into effect; or
  - (b) subject to Condition 6, making available to its subsidiaries the services of employees of the Licensee in order that such subsidiaries may provide to third parties such technical services and advice and assistance in respect of the services comprised within the authorised business or allowed activities.
6. The Authority may, upon the application of the Licensee, relieve the Licensee from its obligations under paragraph 4 of this Condition in relation to any particular case to such extent and subject to such terms and conditions as the Authority may specify in writing.

### **Condition 4: Separate Accounts for Authorised Business**

1. The Licensee shall maintain accounting and reporting arrangements that enable separate accounts to be prepared for and show the financial affairs of:
- (a) the authorised business; and
  - (b) the businesses of the Licensee in aggregate.
2. The Licensee shall, in respect of the authorised business:
- (a) keep or cause to be kept for the period referred to in Section 199 of the Companies Act and in the manner referred to in that section such accounting records in respect of the authorised business:
    - (i) as would by Section 199 of the Companies Act be required to be kept in respect of such business; and
    - (ii) in accordance with such reasonable accounting policies as the Authority may from time to time prescribe or impose;
  - (b) prepare, on a consistent basis from such accounting records, accounting statements which conform to generally accepted accounting practices in

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Singapore, stating the accounting policies adopted, and in such form and substance as the Authority may from time to time require;

- (c) procure, in respect of the accounting statements prepared in accordance with this Condition, a report by the auditors of the Licensee addressed to the Authority stating whether in their opinion those statements have been properly prepared in accordance with this Condition and give a true and fair view of revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the authorised business; and
  - (d) deliver to the Authority a copy of the accounting statements required to be prepared by this Condition together with the auditors' report referred to in sub-paragraph (c) above as soon as reasonably practicable and in any event no later than five (5) months after the end of the period to which they relate.
3. The Licensee shall:
- (a) in respect of its financial affairs keep and prepare such accounts and accounting statements for, and as at the end of, each financial year as would be required by the Companies Act to be kept by the Licensee if the Licensee were a company which were not a subsidiary of any other company and which did not have any subsidiaries or related enterprises; and
  - (b) procure, in relation to such accounting statements, a report of the auditors of the Licensee addressed to the Authority, and deliver a copy of such accounting statements together with the auditor's report to the Authority, in conformity with the requirements of sub-paragraphs (c) and (d) of paragraph 2 of this Condition, which shall apply *mutatis mutandis* to this paragraph.
4. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition for such period, as the Authority may determine.

### **Condition 5: Prohibition of Cross-subsidy**

1. The Licensee shall, except as the Authority may otherwise approve in writing, procure that the authorised business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business or allowed activity of the Licensee or of any subsidiary or related enterprises of the Licensee. Any cross-subsidy approved by the Authority shall be made known to the industry with such details as the Authority may deem necessary.

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### **Condition 6: Dealings with Subsidiaries**

1. The Licensee shall not, without the written consent of the Authority, enter into any agreement or arrangement for the supply of goods or services or otherwise deal with any of its subsidiaries or related enterprises except where such agreement or arrangement is entered into on an arm's length basis. The Licensee shall also not unduly discriminate in favour of its subsidiaries or related enterprises.
2. In determining whether any such agreement or arrangement is on an arm's length basis, the Authority shall have regard to whether:
  - (a) the price and other terms affecting the financial value of the agreement or arrangement are in accordance with the market value based on the then current trends and practices to be ascertained by an independent qualified person to be appointed by the Licensee at its own cost and approved by the Authority;
  - (b) the parties are contracting freely and independently of each other;
  - (c) there is any special relationship between the parties; and
  - (d) the terms are made on a "willing buyer and willing seller" basis given the circumstances surrounding the agreement or arrangement, as the case may be.

### **Condition 7: Composition of the Board of Directors**

1. The Licensee shall procure that at all times its directors shall not be employed by nor hold any office or engagement with:
  - (a) any person authorised by a gas licence or exempted from the obligation to hold a gas licence, to engage in an activity referred to in one or more of subsections (c), (d), (g) or (h) of Section 6(1) of the Act; or
  - (b) any person authorised by an electricity licence or exempted from the obligation to hold an electricity licence, to engage in an activity referred to in one or more of subsections (a), (c), (d) or (f) of Section 6(1) of the Electricity Act (Cap. 89A).
2. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition for such period, as the Authority may determine.

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### **Condition 8: Prohibition on Acquisition of Shares**

1. The Licensee shall not directly or indirectly through its related enterprises acquire or hold any shares in:
  - (a) any person authorised by a gas licence or exempted from the obligation to hold a gas licence, to engage in an activity referred to in one or more of subsections (c), (d), (g) or (h) of Section 6(1) of the Act; or
  - (b) any person authorised by an electricity licence or exempted from the obligation to hold an electricity licence, to engage in an activity referred to in one or more of subsections (a), (c), (d) or (f) of Section 6(1) of the Electricity Act (Cap. 89A).
2. The Authority may, on such terms as it may specify in writing and notified to the Licensee, waive or vary any of the requirements of this Condition for such period, as the Authority may determine.

### **Condition 9: Notification of Change in Shareholding**

1. The Licensee shall inform the Authority of any acquisition by a person of an equity interest in the Licensee of 5% or more within 5 days of the Licensee becoming aware of the acquisition.

### **Condition 10: Codes of Practice**

1. The Licensee shall at all times, when acting for or on behalf of PowerGas Limited, conduct the activities comprised in the authorised business in a manner consistent with the provisions of:
  - (a) the Gas Supply Code; and
  - (b) any other relevant codes of practice and standards of performance applicable to PowerGas Limited.
2. In conjunction with paragraph 1 of this Condition, the Licensee may participate in the development of any code of practice and standard of performance if such code of practice or standard of performance will directly or indirectly affect the authorised business of the Licensee or PowerGas Limited.
3. Notwithstanding paragraph 1 of this Condition, the Authority may by written notification, exempt the Licensee from compliance with any code of practice or standard of performance, in whole or in part, and subject to such terms and conditions as the Authority may determine.

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4. The Licensee may propose modifications to a code of practice or standard of performance that is in force at the relevant time by notifying the Authority in writing of the proposed modification. The Authority shall:
  - (a) review the proposed modification to a code of practice and determine whether the proposed modification should be made, in accordance with the code modification process set out in the relevant code; and
  - (b) review the proposed modification to a standard of performance and determine whether the proposed modification should be made.
5. (1) The Licensee shall not:
  - (a) with regard to its authorised business or Singapore's gas industry:
    - (i) make, prepare, attest to or certify, orally or in writing, any representation or statement that is false, incorrect or misleading or open to misconstruction by any person; or
    - (ii) make any representation or statement, orally or in writing, or give any answer, orally or in writing, or otherwise conduct itself in a manner that is likely to mislead any person; or
  - (b) mislead or confuse any person about its authorised business.
- (2) If the Authority is satisfied that the Licensee is contravening or has contravened any provision of sub-paragraph (1), the Authority may, by notice in writing to the Licensee, direct the Licensee to take such steps, as are specified in such direction, to correct such false, incorrect or misleading representation, statement or answer or to correct such confusion, including without limitation, by requiring the Licensee to publish a correction or to write to such persons to correct facts within a specified period of time as directed by the Authority.
- (3) The Authority may take enforcement action against the Licensee in accordance with the provisions of the Act if the Licensee fails to comply with the direction of the Authority issued under sub-paragraph (2) above.

### **Condition 11: Performance Monitoring**

1. The Licensee shall, at the request of the Authority, and in accordance with any process or principles the Authority may issue, submit to the Authority a proposal specifying the performance measures against which the performance of the Licensee in conducting the authorised business and of PowerGas Limited in conducting its authorised business may be measured.

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2. The Licensee shall collect and report statistics of other performance measures in such form and with such frequency as may be requested by the Authority in writing.
3. The Licensee shall within ninety (90) days after the start of its financial year or within thirty (30) days of such other date as stipulated by the Authority, submit to the Authority a report indicating the performance of the Licensee in respect of the authorised business and of PowerGas Limited in conducting its authorised business during the previous financial year against the agreed performance measures established pursuant to this Condition. The Licensee shall, if required by the Authority, publish these details in a manner to be determined by the Authority.

### **Condition 12: Risk Management and Insurance**

1. The Licensee shall adopt and implement reasonable and prudent policies in relation to the management and insurance (including self-insurance) of risks associated with the authorised business.

### **Condition 13: Preparation for Emergencies and Security Arrangements**

1. The Licensee shall take such action as the Authority may reasonably require, taking into consideration but not limited to the provisions of the Gas Network Code, to plan and to prepare for emergencies, including taking part in tests and exercises, to the extent relevant to the authorised business of PowerGas Limited pursuant to its licence issued by the Authority.

### **Condition 14: Confidential Information**

1. The Licensee shall take reasonable measures to ensure that all information received by it relating to the authorised business:
  - (a) is kept confidential by the Licensee except as otherwise permitted by the Authority, this Licence or any applicable code of practice or the Gas Network Code and that access to such confidential information is provided only, and as is necessary for the due performance of their lawful functions, to directors, officers and employees of the Licensee, to PowerGas Limited, or to an agent of the Licensee that has agreed in writing to observe this requirement of confidentiality;
  - (b) is not used by the Licensee for any purpose other than that for which it was provided or for a purpose permitted by this Licence, any applicable code of practice or the Gas Network Code; and

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- (c) is not used by the Licensee for any commercial advantage in the provision of any service other than a service comprised in the authorised business.
- 2. The Licensee shall take such other action, including complying with restrictions on the transfer, engagement, or re-engagement of employees, as the Authority may from time to time require to ensure the information acquired by it in connection with the authorised business is, except as otherwise permitted by the Authority, this Licence, any applicable code of practice or the Gas Network Code, kept confidential by the Licensee and not dealt with in a manner which may restrict, distort or prevent competition in any of the industries to which it provides its services.
- 3. The Licensee shall, if requested by the Authority, procure that a certificate is issued by its auditors, in such form as the Authority may require, which confirms that the Licensee is complying with the requirements of this Condition.
- 4. Nothing in this Condition shall be construed as requiring the Licensee to keep confidential any information that is or becomes generally and publicly available other than as a result of a breach by the Licensee of paragraph 1 or 2 of this Condition.

### **Condition 15: Research and Development**

- 1. The Authority may from time to time give directions to the Licensee requiring the Licensee to perform research and development activities, and to co-operate with other gas licensees to perform research and development activities in relation to the conduct of the authorised business, and the Licensee shall comply with any such directions.
- 2. Where the Authority gives directions to the Licensee pursuant to paragraph 1 of this Condition for major research and development work, or the Licensee, on its own volition initiates major research and development work, the Licensee shall prepare a fully developed business case for the approval of the Authority prior to commencing any research and development activity.
- 3. Such a business case shall fully detail the nature of the research and development work to be undertaken, the benefits being sought from the research and development activity along with the economic costs and benefits of the proposed research and development work, the proposed sources of funding and cost recovery mechanism, and the proposed arrangements for the handling of any intellectual property developed during the course of the approved work.

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### **Condition 16: International Obligations**

1. The Licensee shall exercise its rights and powers and perform its duties and obligations under this Licence in a manner which is consistent with the Government's obligations:
  - (a) by virtue of the Government being a member of an international organisation or a party to an international agreement; or
  - (b) to attain or facilitate the attainment of that which is requisite and expedient in view of the Government being a member of such an organisation or a party to such an agreement,

to the extent that the Licensee has notice of such membership or agreement pursuant to paragraph 2 of this Condition.
2. The Authority shall notify the Licensee from time to time of any membership or agreement to which paragraph 1 of this Condition applies.
3. The Licensee may apply to the Government for compensation or grant to offset any loss or damage sustained as a result of complying with paragraph 1 of this Condition based on an audited claim submitted by the Licensee for such loss or damage.

### **Condition 17: Investigation of Offences**

1. The Licensee shall monitor its activities with respect to compliance with this Licence or with the relevant legislation and shall report any suspected non-compliance to the Authority. The Licensee shall also submit quarterly, or at such other frequency as notified by the Authority in writing, a compliance statement to the Authority that it has complied with the requirements in this Licence or describing any cases of any suspected non-compliance.
2. Where it comes to the attention of the Licensee that another gas licensee has breached its gas licence or relevant legislation or any other person has breached the relevant legislation, the Licensee shall report any suspected non-compliance to the Authority.
3. Where the Licensee reports suspected non-compliance by itself, another gas licensee or any other person pursuant to paragraph 2 above, or requests the Authority to institute a prosecution against any person for contravening a provision of relevant legislation in relation to the gas licensee's authorised business, the Licensee shall furnish to the Authority as soon as reasonably practicable:
  - (a) a written report on the suspected non-compliance or contravention; and
  - (b) any relevant information and evidence in the possession or control of the Licensee for the prosecution and conviction of the suspect.

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4. Where the Authority receives any information from any person other than the Licensee indicating that an offence under relevant legislation may have been committed in respect of activities or property belonging to or managed by the Licensee, the Authority may, subject to Section 5 of the Act, inform the Licensee of such information and the Licensee shall furnish to the Authority as soon as reasonably practicable:
  - (a) a written report on the suspected offence; and
  - (b) any relevant information and evidence in the possession or control of the Licensee for the prosecution and conviction of the suspect.
5. The Licensee and its directors and officers shall give full assistance and cooperation to the Authority and its prosecuting officer or counsel in connection with any prosecution proceedings arising from paragraphs 1 through 4 of this Condition.

### **Condition 18: Information, Access and Audit Rights of the Authority**

1. The Licensee shall promptly inform the Authority of any circumstances that result, or are likely to result, in a change in any information provided by the Licensee to the Authority and shall provide updated information to the Authority in a timely manner.
2. Without prejudice to the powers of the Authority to call for information under or pursuant to any other conditions in this Licence or the relevant legislation, the Licensee shall, at its own cost, furnish to the Authority such information as the Authority requires pursuant to Section 4 of the Act and in such form as the Authority requires.
3. The Licensee shall conduct, or cause to be conducted by such independent third party as the Authority may specify, at its own cost, such audits of the Licensee's financial records, systems or procedures pertaining to the authorised business as the Authority may from time to time require and shall submit to the Authority such reports as the Authority may direct in respect of such audits.

### **Condition 19: Special Administration Order**

1. In accordance with any special administration order made by the Minister under Section 34 of the Act, the Authority may directly or indirectly manage the affairs, business and property of the Licensee in accordance with Section 33 of the Act. In such an event, the Licensee shall allow the Authority such access to or control of its property as required to permit the Authority to meet its obligations under the special administration order during the period for which the order is in force.

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### **Condition 20: Payment of Fees**

1. The Licensee shall, at the times stated hereunder, pay to the Authority fees of the amount specified in, or determined under, paragraphs 2 to 5 of this Condition.
2. The Authority shall, after the issuance of this Licence, notify the Licensee in writing of the initial fee to be paid and the Licensee shall pay such fee to the Authority within thirty (30) calendar days.
3. The Authority shall notify the Licensee on or before the 1st of April of each subsequent year in which this Licence is in effect of the fee to be paid and the Licensee shall pay such fee to the Authority on or before 30th of April of each such subsequent year.
4. Without prejudice to any other powers of the Authority under this Licence or the Act, if the Licensee fails to pay in full any fee due pursuant to this Condition on or before the due date for payment thereof, the Licensee shall pay to the Authority interest at the Prescribed Rate described in paragraph 5 below, which interest shall accrue daily on the amount unpaid on and from such due date to the date of actual payment and shall be compounded monthly at the end of each calendar month.
5. The Prescribed Rate shall be the rate which is four percentage points (4%) above the arithmetic average of the rates quoted in Singapore by DBS Bank Limited, Overseas-Chinese Banking Corporation Limited and United Overseas Bank Limited (or such other banks as the Authority may specify in writing from time to time) as being the respective prime lending rates of such banks for each day of the period for which interest accrues, and in respect of any day during such period which is not a day for which such a rate is quoted, the last preceding rate quoted shall apply.